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RUEHLP/AMEMBASSY LA PAZ MAY QUITO 0367  
RUEHSG/AMEMBASSY SANTIAGO 0548  
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TAGS: [PGOV](#) [PINR](#) [PHUM](#) [PE](#)  
SUBJECT: WHA PDAS SHAPIRO MEETS WITH PERUVIAN DIPLOMATS

Classified By: Political Officer David C. Brooks for Reason 1.4 (b,d)

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Summary:  
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¶1. (C) Bolivia and Venezuela dominated the conversation during visiting WHA PDAS Charles Shapiro's meeting with Foreign Ministry officials on 5/17. The Peruvians stated that Bolivian President Evo Morales' nationalizations were playing to his base, but would create problems for him down the road, domestically with Santa Cruz (where many Peruvian expats from the Velasco era have settled) and with Brazil. "Outsider" Union Por el Peru (UPP) party Presidential candidate Ollanta Humala, they observed, is radicalizing his presidential campaign, conceding his likely defeat, but firing up his base for regional and local elections in November. End Summary.

¶2. (C) PDAS Shapiro met with the following Foreign Ministry reps during his 5/17 visit to Lima: Undersecretary for Political Affairs Ambassador Pablo Portugal, Undersecretary for the Americas Luis Sandoval, Director General for South America Milagros Castagnon, and Undersecretary for Economic Affairs Gonzalo Gutierrez.

¶3. (C) Bolivia's recent nationalization of its hydrocarbons industry and the connections between Caracas and La Paz dominated the conversation. The Peruvians agreed that Morales plays primarily to his domestic constituency, that the nationalization would play well for a time, and, Castagnon warned, would be followed up by an equally improvised proposal for land reform. (In separate conversations, Castagnon has predicted that Morales will soon use the question of Bolivia's access to the sea to create a crisis with Chile.)

¶4. (C) Whatever their short-term popularity, Morales' policies of nationalization and confrontation bring problems, the Peruvians noted. They explained that a number of Peruvians had left Peru in the 1970s, fleeing then dictator Juan Velasco's nationalizations to settle in Santa Cruz, a Bolivian province whose population generally opposes Morales' increasingly radical policies. More importantly, Morales is creating problems with Brazil. Portugal warned that Brazilian President Lula could not simply passively stand by and watch Brazilian national interests be harmed, not when he needs the support of Brazil's nationalistic military and its powerful private sector. Morales' nationalization of Brazilian assets, Ambassador Struble observed to general agreement, has left Lula's plan for constructive engagement with Morales and Chavez looking like a bad bet.

15. (C) Bolivia's radicalism is in part the product of a highly ideological world view shared by Morales and those who surround him, the diplomats opined. Gutierrez noted how, during the May 11-13 EU-LAC Summit meeting in Vienna, it was impossible to sit and talk with Bolivian Foreign Minister Choquehuanca, who seemed to "lack a capacity to exchange ideas." Morales, Gutierrez stated, is also receiving advice from a fervent globalization opponent, Pablo Solon. In recent conversations with the EU, Gutierrez said, the Bolivians were incapable of discussing issues outside the framework of Bolivia's alleged historic victimization by outside powers and the country's right to nationalize basic industries to recover control over its natural resources.

16. (C) Ecuador's nationalization of Occidental Petroleum also came up in the context of increasing radicalism in the Andes, which all saw as driven by Caracas. The Peruvians predicted that Chavez would push to gain influence in Ecuador with upcoming elections. Walking out of the Residence, Ambassador Portugal pulled PDAS Shapiro aside and urged that the U.S. not push Ecuador into the arms of Chavez.

17. (C) The Foreign Ministry officials viewed Ollanta Humala as Chavez' instrument. Ambassador Gutierrez observed that a few weeks ago Humala had appeared to be moderating the tone of his campaign, but had now swung back in a radical direction. Gutierrez said that Humala "knows he won't win," but wants to solidify his electoral base for regional elections in November. Given Humala's strength in the south and the sierras, if his party carries regional elections in November, Gutierrez offered, Humala would try to "make life impossible" for likely President-elect Alan Garcia.

18. (C) PDAS Shapiro asked the Foreign Ministry reps how the U.S. might help the GOP realize more political benefits from economic growth and increasing prosperity. They suggested a variety of measures, including adopting highly visible policies to help redistribute wealth that avoid economy-breaking extremes as well as promoting small and medium-sized enterprises. Castagnon noted that a large percentage of the latter were run by women, and so any program to support small and medium enterprises should take gender into consideration.

19. (U) This cable has been cleared by WHA PDAS Charles Shapiro.  
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